

Message Text

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ACTION EUR-12

INFO OCT-01 NEA-10 ISO-00 SP-02 USIA-15 AID-05 EB-07

NSC-05 CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01

CIAE-00 COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06

LAB-04 SIL-01 PA-02 PRS-01 /106 W

-----190452Z 083111 /21

R 181840Z JAN 77

FM AMCONSUL TURIN

TO SECSTATE WASHDC 0662

AMEMBASSY ROME

INFO AMCONSUL FLORENCE

AMCONSUL GENOA

AMCONSUL MILAN

AMCONSUL NAPLES

AMCONSUL PALERMO

AMCONSUL TRIESTE

AMEMBASSY TRIPOLI

UNCLAS TURIN 0028

E.O. 11652: N/A

TAGS: EFIN, EINV, ECON, IT, LY

SUBJ: FIAT SHAREHOLDERS APPROVE DEAL WITH LIBYA

REF: 76 TURIN 0431

1. SUMMARY. WHILE SOME SUSPENCE BUILT UP PRIOR TO JAN. 18
FIAT STOCKHOLDERS MEETING BECAUSE OF LEGAL REQUIREMENT
FOR REGISTRATION OF ONE OVER HALF OF TOTAL 300 MILLION
FIAT SHARES OUTSTANDING, MEETING OPENED WITH 155 MILLION
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SHARES REGISTERED. ADDITIONAL REGISTRATIONS DURING MEET-
ING MADE SUBSEQUENT VOTE APPROVING FIAT DEAL WITH LIBYA
FOREGONE CONCLUSION: 188 MILLION FOR, 51 AGAINST. SHARE-
HOLDER SPEAKERS IN LARGE PART LAUDED DEAL, BUT SOME QUESTIONS
STILL REMAIN AS TO WHY LIBYA AGREED TO ARRANGEMENT SO
BENEFICIAL TO FIAT AND ITALY. END SUMMARY.

2. RESULT OF THREE-HOUR FIAT SHAREHOLDERS MEETING JAN. 18 WAS FOREGONE CONCLUSION ONCE COMPANY WAS ABLE TO DETERMINE HALF PLUS ONE OF 300 MILLION FIAT SHARES HAD BEEN REGISTERED BY OPENING OF 10 A.M. EXTRAORDINARY SESSION OF SHAREHOLDERS CALLED TO VOTE ON DEAL WITH LIBYA (REFTEL AND PREVIOUS). UNIVAC COMPUTER DISPLAYS PLACED AMONG ANTIQUE LOCOMOTIVES OUTSIDE MEETING ROOM (LOCATED IN FIAT S HISTORICAL MUSEUM) SHOWED 155 MILLION SHARES REGISTERED AT OPENING OF MEETING AND NUMBER CLIMBED TO SOMEWHAT OVER 188 MILLION BY END OF MEETING. OUR FIAT CONTACTS HAD BEEN SOMEWHAT CONCERNED IN DAYS PRIOR TO MEETING THAT PARTICULAR ITALIAN LAWS THAT TEND TO ENCOURAGE ANONYMOUS HOLDING OF SHARES WOULD CREATE PROBLEM IN ARRIVING AT PUBLICLY REGISTERED ONE OVER HALF OF 300 MILLION SHARES AS REQUIRED BY LAW IN ITALY FOR STOCKHOLDERS VOTING ON THIS PARTICULAR TYPE OF CORPORATE ACTION.

3. AFTER PRESENTATION OF DETAILS OF AGREEMENT BY FIAT NOTAIO REMO MORONE, PRESIDENT GIOVANNI AGNELLI (FLANKED BY FULL BOARD, MINUS ABSENT GUIDO COLONNA DI PAGLIANO AND VACANT SEAT OF CARLO DE BENEDETTI WHICH HAD BEEN LEFT VACANT FOLLOWING HIS DEPARTUE FROM FIAT LAST SEPTEMBER) OPENED MEETING TO SHAREHOLDERS COMMENTS. TWENTY-FOUR SPEAKERS LATER, AGNELLI QUICKLY RESPONDED TO QUESTIONS RAISED AND THEN CALLED FOR VOTE. OVER 600 RAISED HANDS IN FAVOR, 2 AGAINST (REPRESENTING 51 SHARES) AND AGNELLI ANNOUNCED VOTE AT OVER 188 MILLION FOR, 51 AGAINST, AND AGREEMENT APPROVED. FIAT NOW SUBMITS AGREEMENT TO GOI FOR GOVERNMENT APPROVAL WHICH IS EXPECTED WITH LITTLE DELAY. UNCLASSIFIED

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LIBYAN OFFER IS VALID UNTIL MID-FEBRUARY (AGNELLI SAID DURING MEETING) OR END FEB. (AGNELLI SAID AT PRESS CONF. AFTER MEETING).

4. VERY WIDE RANGE OF ISSUES RAISED BY 24 SHAREHOLDER SPEAKERS, BUT HARD, WELL-PUT CRITICAL QUESTIONS WERE RARE. (AGNELLI CALLED IT A HAPPENING .) ONE BASIC THEME WAS IF DEAL WAS SO GOOD FOR FIAT (AND ITALY), THEN WHY DID INTELLIGENT LIBYAN NEGOTIATORS AGREE TO ARRANGEMENT (NEVER ANSWERED DIRECTLY BY AGNELLI AND SPECULATION CONTINUES, E.G., TWO LONG 1/16 CAZZETTA DEL POPOLO ARTICLES A-- AND ALSO HEARD FROM SEVERAL ECONOMIC OBSERVERS AFTER MEETING -- THAT LIBYAN SHARE OF FIAT WILL BE MORE THAN EVENTUAL 13 PERCENT CALLED FOR UNDER AGREEMENT AND SOME GUESS AS HIGH AS 22 PERCENT# THERE HAS BEEN NO PROOF PRESENTED FOR THIS SPECULATION, HOWEVER. AMONG OTHER RESPONSES BY AGNELLI: HE EXPECTS NO LIBYAN OFFICE IN TURIN BECAUSE BOARD MEETINGS ONLY HELD SIX TIMES A YEAR, DOLLAR EXCHANGE RATE IMPLIED IN AGREEMENT IS 865 LIRE/ONE DOLLAR# AGREEMENT SHOULD HELP

ITALIAN/LIBYAN BILATERAL RELATIONS (IN RESPONSE TO SHARE-
HOLDERS HOPE FOR COMPENSATION TO ITALIANS WHO HAD TO
LEAVE LIBYA IN 1970)# LIBYA AGREED TO HIGH STOCK PRICE
(5,500 LIRE ABOVE NOMINAL VALUE) GIVEN UNDERVALUATION OF
FIAT PROPERTIES (BECAUSE OF VERY RAPID AMORTIZATION),
HIGH VALUE OF STOCKS/INVENTORIES, AND FIAT S FINANCIAL HOLDINGS
SOME OF WHICH BASED ON OUTDATED EXCHANGE RATES AND THEREFORE CUR-
RENTLY WORTH MORE THAN LISTED.
WRIGHT

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